



Final Minutes
Endowment Fund Investment Board
Regular Board Meeting
August 17, 2018

A regular meeting of the Endowment Fund Investment Board ("Board") was held in the Conference Room at 816 W. Bannock Street, Ste. 301, Boise, Idaho, August 17, 2018. Chairman M. Dean Buffington called the meeting to order at 9:00 a.m. and recognized that a quorum was present.

Member's Present:

Dean Buffington
Jerry Aldape
Warren Bakes
Gavin Gee
Irv Littman
Richelle Sugiyama

Staff Present:

Chris Anton
Chris Halvorson
Michelle Watts
Liz Wieneke

Legal Counsel:

None

Member's Absent:

Representative Anderson
Gary Mahn
Senator Winder

Guests:

Janet Becker-Wold, Callan
Gordie Weightman, Callan
Bill Haagenon, IDL
Kari Kostka, IDL
Rob Sepich, DFM
Paul Niedermuller, CliftonLarsenAllen
Branden Rudd, CliftonLarsenAllen
Clay Lindsey, Eagle

Hard copies of board materials were mailed and delivered 7 days prior to the scheduled board meeting and a meeting notice and agenda was posted on the door of the EFIB office beginning August 10, 2018.

Board Meeting Minutes:

Mr. Bakes moved that the minutes of the regular meeting held on May 15, 2018 be approved as submitted. The motion was seconded by Mr. Aldape and approved unanimously.

Eagle Asset Management Presentation (Clay Lindsey)

Eagle Asset Management is responsible for managing a domestic small cap growth strategy for EFIB. Mr. Lindsey provided an overview of the firm, highlighted their investment methodology and reviewed investment performance.

Investment Performance Review (Janet Becker-Wold, Callan)

Ms. Wold introduced Mr. Gordie Weightman, Senior Vice President with Callan. Mr. Weightman is Ms. Wold's back-up and participates in EFIB meetings at least annually. Mr. Weightman presented an update on the economy and a summary of performance of various asset classes.

The Endowment Fund posted gains of 1.40% and 9.94% for the quarter and twelve months ended June 30, 2018, respectively, which are 0.24% and 1.49% above the benchmark. The fund ranked 20th and 12th percentile for the quarter and twelve months ended June 30, 2018 when compared to the Callan Public Fund Sponsor Database.

The State Insurance Fund posted a gain of 0.28% and gain of 1.63% for the quarter and twelve months ended June 30, 2018, respectively, which are -0.02% and 0.15% above the benchmark.

Aberdeen Asset Management Update (Janet Becker-Wold, Callan)

Ms. Wold provided an update on Aberdeen Asset Management. She indicated that for the five-year period ended June 30, 2018, performance has lagged the benchmark by 3.8% per year. Assets in the global strategy have declined from \$39.2 billion to \$9.4 billion.

Mr. Aldape moved to terminate Aberdeen Asset Management. The motion was seconded by Mr. Bakes and approved unanimously. The staff was asked to notify Aberdeen following the board meeting.

Ms. Sugiyama moved to hire Wellington Global Opportunity. The motion was seconded by Mr. Aldape and approved unanimously.

Mr. Littman recommended that we review our global equity strategy and the role global equity plays in the overall asset allocation at a future board meeting.

Fixed Income Manager Selection Update (Janet Becker-Wold, Callan)

Ms. Wold indicated that the Callan fixed income research team and manager search committee identified six core-plus manager candidates. Callan discussed these candidates with the EFIB staff and the list was narrowed to three candidates – DoubleLine, PGIM and Western Asset. Callan and EFIB staff will meet with the three candidates and then schedule a special board meeting in October for final candidate interviews.

Review FY 2018 Audited Financial Statements (Branden Rudd, Paul Niedermuller, Jerry Aldape, Michelle Watts and Liz Wieneke)

Mr. Niedermuller stated that the audit went very smoothly. He stated that there were no significant deficiencies or material weaknesses identified. There were no disagreements with management or audit adjustments. He indicated that once the Land Board approves beneficiary distributions and transfers for fiscal 2020 and staff signs the letter of representation, that they would issue an unmodified opinion, provide a copy of the management representation letter and issue the final report.

Mr. Rudd reviewed the results of audit procedures performed related to risk assessment. He indicated that they reviewed P-card transactions, since they were issued in fiscal 2018. There were no issues identified.

Mr. Rudd presented an analysis of revenue and expenses related to the Department of Lands. It was noted that land revenue has declined as a result of the sale of cabin sites near Payette and Priest Lakes and now covers less of annual beneficiary distributions.

Mr. Anton commended Ms. Watts and Ms. Wieneke for their efforts related to the audit. He also indicated that our policy is to issue an RFP for audit services every five years, which will take place this fall.

Approve FY2020 Beneficiary Distributions and Transfers* (Chris Anton)

Mr. Anton reviewed the Land Board's policies for calculating beneficiary distributions and target earnings reserve levels. He indicated that strong investment performance combined with solid net revenue generated by land assets, pushed all permanent funds above their inflation adjusted gain benchmark and resulted in excess reserves for all but one fund.

Ms. Sugiyama moved to approve the FY2020 Beneficiary Distributions and Transfers as proposed and recommended them to the Land Board for final approval. The motion was seconded by Mr. Gee and approved unanimously.

Approve FY2020 EFIB Budget * (Chris Anton)

Mr. Anton recommended that EFIB maintain the same budget in FY2020 as it has in FY2019.

Mr. Aldape moved to approve the FY2020 EFIB Budget as proposed. The motion was seconded by Mr. Littman and approved unanimously.

Approve Board Meeting Schedule * (Chris Anton and Liz Wieneke)

Mr. Anton proposed the following meeting dates.

Regular Board Meetings:

- November 20, 2018 (Joint meeting with the Land Board)
- February 13, 2019
- May 21, 2019 (Joint meeting with the Land Board)
- August 15, 2019
- November 19, 2019 (Joint meeting with the Land Board)

Audit Committee Meetings:

- May 15, 2019
- August 14, 2019

Compensation Committee Meeting:

- April 3, 2019

Mr. Bakes moved to approve the meeting schedule as proposed. The motion was seconded by Mr. Aldape and approved unanimously.

Approve P-card authorizations and limits * (Chris Anton and Liz Wieneke)

Mr. Anton indicated that EFIB started a P-card program in July, 2018. He reviewed credit limits, expense controls and the authorization process.

Mr. Aldape moved to approve the existing purchasing card program that provides cards for each member of the EFIB staff with credit limits of \$5,000 per cardholder. The motion was seconded by Ms. Sugiyama and approved unanimously.

Recess for lunch 12:05 p.m. – 12:37 p.m.

Review updated Land Board Investment Policy (Kari Kostka)

Ms. Kostka provided an overview of recent updates to the Land Board Investment Policy.

Reinvestment of Land Bank Funds (Kari Kostka)

Ms. Kostka provided an overview of the Investment Subcommittee recommendation for reinvestment of Land Bank Funds.

EFIB Staff Reports

Mr. Anton presented the gift log.

Mr. Anton highlighted upcoming meetings.

Adjournment

There being no further business to come before the Board, Mr. Littman moved to adjourn, which was seconded by Ms. Sugiyama and passed unanimously.

The meeting adjourned at 1:30 p.m.